

**State Employee Benefits Committee
Tatnall Building, Room 112
Dover, Delaware 19904**

The State Employee Benefits Committee met September 25, 2017. The following people were in attendance:

Committee Members:

Mike Jackson, Director, OMB, Chair
Sandy Johnson, Secretary DHR
Mike Morton, CGO
Evelyn Nestlerode, Designee of Chief Justice, Administrator of Courts
Tanner Polce, Designee of Lt. Governor
Ken Simpler, State Treasurer
Stuart Snyder, Designee of Insurance Commissioner
Jeff Taschner, DSEA
Dr. Kara Walker, DHSS

Guests:

Brenda Lakeman, Director, Statewide Benefits Office (SBO)
Faith Rentz, Deputy Director, SBO
Lisa Porter, SBO
Andrew Kerber, DOJ
Lisa Carmen, City of Milford
David Craik, Pension Office
Kristin Dwyer, DSEA
Kim Hawkins, City of Dover
Russell Larson, The Byrd Group
Melissa Marlin, OMB
Regina Mitchell, OMB
Jamie Nutter, PGS
Karol Powers-Case, DRSPA

Guests (continued):

Nathan Roby, OST
Paula Roy, DCSN
Jeff Savin, OMB
Becky Scarborough, DRSPA
George Schreppler, DCSN
Anne Spano, PHRST
Wayne Smith, DHA
Meredith Tweede, CCHS
Andrew Wilson, Morris James

Julie Caynor, Aetna
Shari Sack, Aflac
Carrie Schiavo, Delta Dental
Wendy Beck, Highmark
Andrew Brancati, Highmark
Peg Eitl, Highmark
Jennifer Mossman, Highmark
Pam Price, Highmark
Walt Mateja, Truven Consulting
Steve Shelton, Truven Consulting
Christopher Domian, Willis Towers Watson
Kevin Fyock, Willis Towers Watson
Chris Giovannello, Willis Towers Watson
Jaclyn Iglesias, Willis Towers Watson
Rebecca Warnken, Willis Towers Watson

Introductions/Sign In

Director Jackson called the meeting to order at 2:03 p.m. Introductions were made.

Approval of Minutes - handout

The Director entertained a motion to approve the minutes from the August 21st SEBC meeting. Secretary Johnson made the motion and Controller General Morton seconded the motion. The motion carried.

Director's Report – Brenda Lakeman, Statewide Benefits Office (SBO)

Governor Carney to host Employee Town Halls on healthcare on September 28th in Dover and October 11th in Wilmington at the Carvel Building. Along with the Governor, Dr. Walker and Ms. Lakeman will be speaking.

Open Enrollment for Medicare eligible pensioners for their Special Medicfill with Prescription coverage is October 9th – 20th. The enrollment provides an opportunity for Medicare pensioners to enroll in or drop their Special Medicfill coverage with or without prescription. Letters and packets to be mailed last week of October.

Double State Share (DSS) Special Enrollment will be November 1st – 17th. During the week of October 23rd, letters will be mailed to those individuals and pensioners enrolled in DSS plans, which includes over 1,900 employees and about 700 pensioners. Changes will be allowed to plans to decrease members' costs and not to more expensive plans since their premiums are changing to \$25 per month or 50% of the employee premium, whichever is greater. Increase ranges are from \$0 to \$111.42 (Comp PPO family plan). The average increase across all plans and tiers is \$26.15 per month. Early to mid-October, SBO will email HR/Ben reps with details, sample letter and list of affected individuals in their organization.

2018 FSA Open Enrollment will be November 1st – 17th. On October 12th, the HR/Ben reps will be assigned the FSA mini-video in the Delaware Learning Center (DLC) and Schoology. During the week of October 16th, postcards will be mailed to employees' homes, an e-Newsletter announcing the FSA video to be distributed and posters will be mailed to HR/Ben reps for display at State agencies and schools. E-Newsletter reminders will be sent during November 1st through November 17th.

Mr. Taschner expressed concern with the Employee Town Halls being held during the day as school employees and AFSCME personnel are not able to attend. Director will check on additional times.

Financials

July & August 2017 Fund & Equity (F&E) Report - handout – Chris Giovannello, Willis Towers Watson (WTW) reviewed the July F&E which shows premium contributions at \$67.4M and aligns with the budgeted \$67.5M. There is a one month lag as seen in the Highmark and Aetna projections, yet Aetna is significantly lower than budgeted. Overall July ended up being a favorable month, highlighting under Operating Expenses, claims came in at \$61.6M versus budgeted \$77.5M. There is a net income of \$5.5M which increases the F&E balance to \$108.2M. The year end variance above the claim liability and minimum reserve is now roughly \$27.7M.

August F&E report shows the numbers leveling out. The premium contributions are much closer in line for Highmark versus Aetna. Claims balance is \$72.1M with a net income of \$5M bringing the F&E balance to \$113.2M.

Ms. Warnken, WTW shared a follow up from the July 24th SEBC meeting on the growth of the GHIP year over year with noted observations.

FY17 Q4 Financials – handout – Chris Giovannello, WTW

Total active and retiree medical and prescription drug cost for the period July 1, 2016 through June 30, 2017 is \$762.9M which is 95% of the \$802.3M budget or 4.9% below budget, resulting in a surplus of \$39.4M. Overall medical and prescription drug costs per employee increased 5.2% over FY16. Key medical and prescription drug cost drivers for actives include an increase of 6% in high cost claimants (claims >= \$100K), inpatient allowed per admit increased 11% over prior period while the number of admits increased 2%. Prevalence of chronic conditions decreased for most categories although diabetes increased 4% over prior period with antidiabetic agents (insulins, misc.) remaining the costliest therapeutic class of drugs. Specialty prescription drugs increased from 28% to 32%. WTW to provide more in depth detail on the HCC's. Review of the FY17 Q4 Reporting Reconciliation (WTW vs OMB F&E) shows disconnect of these two reporting systems. Interest expressed to get to one financial system. Ms. Warnken stated the F&E shows how the plan is performing and is beneficial to look on the incurred basis. Ms. Rentz added this reconciliation will continue depending on how much detail or information the committee prefers.

DHSS Health Care Spending Benchmark Presentation – handout – Dr. Kara Walker

An overview was presented covering the impact of rising health care costs in Delaware, a proposed solution and the next steps. As health care costs continue to increase, this squeezes out other public spending priorities. Delaware has the third highest per capita in health care costs with Alaska and Massachusetts exceeding. Delaware residents use the emergency room slightly more than U.S. residents overall and is above average for all States in total physicians and specialists per capita. Health spending is projected to double from 2009 to 2020. Examples of payment reform models were reviewed with different levers portrayed in the global health care benchmark to move toward innovative strategies. Implementation plan phased approach to global health care benchmark was presented with planning in FY18, demo testing in FY19 and implementation in FY20. Delaware's progress on voluntary adoption of value-based payment reform was reviewed. The Summit dates and topics were presented and committee members were invited to attend.

FY18 & FY19 Planning – handout – Willis Towers Watson Team

Reframing the Long Term Plan – the multi-year strategic framework aimed at tackling several goals for the GHIP was shown to portray most recent and ongoing future considerations to improve efficiency and further shrink the pie. These areas include prescription contract renegotiation, Enhanced Care Mgmt (CCMU), High-Tech Radiology Steerage, Reduced Admin Fees (TPA RFP) and Value-Based Program Adoption. As the age of employees increase, the overall pie will grow. In the year of 2020, 85% of the mix will be older and this will impact Medicare more broadly. The key influencers on the GHIP were reviewed along with addressing cost and access with Delaware healthcare providers. . Director Jackson commented that the actual improvement in the financial position of the health fund allows breathing room for the generation of savings for the latter half of FY18. Director Jackson asked for a consideration of delaying changes until July 1, 2018 and using a portion of the surplus in the fund to offset OPEB liability on a one-time basis. Long term health care cost projections were examined with an illustrative view. Dialogue among committee members occurred with regards to these projections and noted with no changes to the plan, GHIP may break even this year. Mr. Taschner added with COE in the provider network, adding to the middle layer in hopes to prevent any premium increase. Director Jackson asked WTW to update the GHIP comparison changes to reflect back to FY13 and include number of participants in the plan. Additional discussion on savings opportunities to continue at October's SEBC meeting. Referenced-Based Pricing (RBP) is not off the table even though most disruptive, Dr. Walker suggested RBP for longer term. The Director suggested a presentation on the OPEB contribution by David Craik, Pension Administration Office Administrator.

EGWP 90 day Maintenance Network – handout – Brenda Lakeman, SBO

Ms. Lakeman presented a recap of the EGWP 90 day Maintenance Network changes as shared at the September's SEBC meeting. The date for implementation if approved today would be March 1, 2018. Calendar year savings from January 1st through December 31st is estimated at \$490K.

Public Comments

None

Motions

Director Jackson asked for a motion to adopt the changes to the EGWP 90 day Maintenance Network as proposed effective March 1, 2018. Secretary Johnson made the motion and Dr. Walker seconded the motion. The motion carried.

Other Business

None

Director Jackson announced the next meeting is scheduled for Monday, October 23rd and then requested a motion to adjourn the meeting. Controller General Morton made the motion and Secretary Johnson seconded the motion.

Meeting adjourned at 3:52 pm.

Respectfully submitted,

Lisa Porter
Executive Secretary
Statewide Benefits Office